Recycling can make good business sense, too

(Continued from page 17)

pline" that will eventually become a money-maker.

Profit a long-range goal

Recycling, in fact, is not a profit center for most dealers.

For example, last year Stambaugh-Thompson began sending wood pallets to an Akron, Ohio-based shredder. It repurchased seven truckloads of this recycled product and sold it in its 21 stores as 3-cubic-foot bags of generic mulch for $3.99.

"Each pallet costs $1 to $1.50, so we're not making any money on this," said Keith Berlin, the chain's corporate maintenance manager. "We just don't have any better way of getting rid of the pallets."

Berlin noted that the Youngstown, Ohio-based Stambaugh's has a growing internal recycling program in place. On Nov. 1 employees volunteered to collect cans, newspapers, aluminum and other recyclables from other employees during the company's first "Bring It From Home" recycling day. Proceeds from this effort will be donated to the charity of the employees' choosing.

Bailers have been installed at most of Stambaugh's larger stores for the collection of corrugated paper, which is sent to Associated Paper Stock, a recycler. Through September, the chain had shipped about 40 trucks of corrugated paper, or 480,000 pounds.

Recycling roadblocks

Trying to recycle or conserve, though, is not always easy, as dealers say they've been thwarted by circumstances beyond their control.

Dolph Riggs said he'd be "receptive" to allowing Riggs Supply's stores to serve as community recycling centers. The problem, though, is finding someplace to bring the waste in rural markets where no government-sponsored recycling program is set up.

Pro Hardware, the wholesaler marketing organization in Denver, had trouble finding a recycler to pick up recyclable refuse from its offices because of the relatively small volume of waste they produced and their third-floor location, according to Pro's senior vp-operations, Richard Paige.

To help conserve water in parched Southern California, Ganahl Lumber offered the city of Garden Grove a plan for its new store there that included reducing by one-quarter the amount of water used for landscaping. A perplexed Ganahl said the city rejected that part of the plan and demanded that its 50,000-gallon-per-week code be followed.

Mark Eisen, environmental officer for Home Depot, noted that one of the chain's markets—Sarasota, Fla.—requires recycling of wood, metal, yard waste, computer paper and aluminum cans, but doesn't have facilities to recycle wood and metal, which are collected together.

Home Depot has installed waste management programs in its 13 Atlanta-area stores, and the effort is paying off. Eisen noted that using 9,000-pound-capacity trailers whose refuse is hauled every four to six weeks is cheaper than using compacters that are hauled every other week.

Home Depot nets about $100 per trailer load. And recently, one of its stores found in a trailer $500 worth of vertical blinds that had been inadvertently thrown away. Had that store been using a compacter, those blinds, said Eisen, would never have been seen. ◆

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Wholesalers get warning at NWHA show

(Continued from page 1)
and used the forum to warn the assembled distributors that they needed to get their costs down or sacrifice business to more-efficient retailers.

During his acceptance speech, Larrimore lamented that the number of wholesalers attending this function had shrunk to 54 companies from 70 in 1987. That drop has come to symbolize the decline in importance of two-step distributors for many suppliers.

"Relatively speaking, it is becoming increasingly expensive to serve two-step distributors," said Larrimore in his prepared comments. "Other distribution channels [i.e., retailers] are working diligently to reduce channel costs by installing EDI, developing POS information systems, having vendor-managed inventories, reducing duplicated functions and . . . re-engineering how they do business."

In a subsequent interview with *NHCN*, Larrimore elaborated that hardlines wholesalers need to find technological solutions to their escalating operational costs. The Catch-22 for many, though, is that they are either too small to be able to afford these advanced systems or are unwilling to cede their autonomy to larger forces.

Larrimore had particular praise for the efforts by Distribution America, the amalgam of the Liberty Distributors and Sentry Hardware marketing groups, to find ways of handling some functions for their wholesaler membership.

He suggested that individual wholesalers may have to turn more of these functions, like buying and accounts payable, over to centralized organizations like Distribution America or Pro Hardware to eliminate duplicative costs.

Larrimore's comments were made to jittery wholesalers, worried about the economy and their prospects for sales and profits next year.

Many hardlines distributors could report that their sales in recent months, and particularly in September, had improved, although none was willing to hazard an explanation why.

While convention attendees thought the New England and Southern California markets still were a long way from recovery, most are anticipating some growth in their businesses in 1992.

Morse Hardware president Robert Morse, who was completing his two-year term as NWHA's acting president, told an audience of wholesalers and manufacturers that the industry's return on investment and inventory turnover rate continued to be "inadequate."

And suppliers interviewed by *NHCN* said they expected their distributor customers to be buying with extreme caution for next year, at least until the economy shows some signs of recovery.

Some saw that happening in early fall.

For instance, Odell Hardware's sales in September were up 47 percent. Even taking into account the fact that Odell last year was a division of the now-defunct General Hardware Co., these gains are significant, and were achieved in part by the introduction of a new variable pricing system.

The conventioneers took time out from their negotiation of future deals to honor Bill Hooten, the former president of Liberty and now Distribution America, who will retire on Jan. 4. Hooten received the NWHA's annual Luekens Leadership Award.

Morse turned over the association presidency to Neil Marglous, the president of Witte Hardware in St. Louis, who will serve in that role until 1993. ◆

BMC West buys Texas dealer

(Continued from page 3)
Home Depot and HomeClub, contributed to the company's decision to exit the market (*NHCN*, May 21, 1990).

"This is the wind down," said O'Malley, adding that he is pleased that a well-run company like BMC West is taking over the sole remaining store.

O'Malley and Ellis Goebel, BMC West's vice president and treasurer, said that business at the store will be unchanged by the sale and that all 61 employees will be kept on.

For BMC West, this location fits in perfectly with the company's plans to expand in the West, Goebel said.

He said that BMC West will most likely not look to expand further south into Texas but that the company is considering future sites in Arizona. ◆

Hancock taps 24-year veteran for president

(Continued from page 1)
Under his leadership, Hancock Lumber widened its market base in the United States and Canada and started exporting to new destinations, including Spain and the Caribbean. The division also introduced value-added products like bar-coded short boards and began shrink-wrapping certain products.

Hancock Lumber has already restructured its management team, and promoted Rich Merk to senior executive vp and retail coordinator for all nine stores. There are six lumberyards, an Eagle window store and two discount outlets known as Bargain Barns.

Merk's challenge will be to boost retail sales and profit at a time when local home building is still hurting. The company hopes to strengthen its market niche with an intensive customer service campaign.

All employees will be measured on customer performance standards and rewarded with a variety of incentives. ◆

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Vol. 17, No. 21 November 11, 1991

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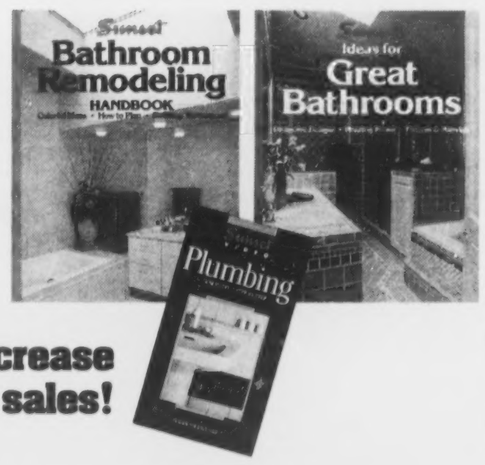

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American Express targets top home centers

Direct mailers sent to Rickel, Home Depot customers

By John Caulfield

NEW YORK — "Do you know us? We're home center chains where you can get discounts on purchases when you pay with your American Express or Optima card."

Rickel Home Centers, Scotty's, HomeClub, Builders Emporium and Home Depot are among the home improvement retailers that can make this claim, as their stores have been featured prominently in recent months in literature American Express Travel-Related Services Co. has been sending to its cardholders.

Early this year, American Express approached large retail companies, including several home center chains, that do more than $10 million in sales paid for with American Express cards about participating in a customized advertising and promotional campaign.

This fall, a number of direct mail pieces, as part of that campaign, were sent to consumers. The dealers' only obligation was to accept American Express or Optima as payment for customers' purchases.

American Express has initiated these promotional efforts at a time when it has encountered considerable difficulty marketing its Optima card. In addition, the lingering recession has taken a sizable bite

(Cont'd on p.40)

Cardmembers save 15% off your next purchase at Rickel Home Centers with the American Express® Card!

Rickel knows the 3 R's of home maintenance – Repair, Redecorate, and Renovate – so we stock everything to make your home better than ever... for less! We're also dedicated to serving you better than ever. Between now and November 16, you can join us for a Do-It-Yourself Workshop every Saturday in every store at 10 a.m. and 2 p.m. Stop by or call 1-800-999-3538 ext. 5244 for store locations and details!

Now's the time to shop with the Card at Rickel. Save 15% on purchases of $50 or more when you use the American Express Card or the Optima℠ Card at Rickel through November 30 (sale merchandise is excluded). Simply redeem this postcard at the register along with your purchases and the American Express Card to receive your discount. We aim to help you do it better with everything from lighting fixtures to custom tinted paints, kitchen cabinetry to floor tile. Plus, when you use the Card, you get the Protection Privilege℠, which gives you extra shopping protection through the Purchase Protection℠ Plan, Lemon Assurance and the Buyer's Assurance℠ Plan.

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Postcard from American Express promotes 15% card discount and workshops at Rickel.

Hechinger to shut seven units in repositioning

Most in HQ markets

By John Sinisi

LANDOVER, Md. — Hechinger Co. is going forward with plans to reposition itself, as it prepares to close seven Hechinger home center units and open HomeQuarters Warehouse stores as far west as St. Louis.

The units scheduled for a January shutdown are in Newington, Conn.; Harrisonburg, Va.; Washington, D.C.; Greenville, S.C.; Durham, N.C.; and Charlotte, N.C. (where two will close). In general, HomeQuarters stores already serve markets where these Hechinger stores will be shut, said president and ceo John Hechinger Jr.

He said that the company waited to close most of these stores until there were a sufficient number of HQs covering each of those markets. There are two notable exceptions: The 30,000-square-foot Harrisonburg store, set up to test the viability of a small-format Hechinger, did not perform as well as hoped; and the 8,000-square-foot D.C. store on Georgia Avenue will close because of its age. Two other Hechinger stores remain in the District of Columbia.

All remaining Hechingers eventually will be remodeled to conform with the company's Home Project Center format, which debuted in Glen Burnie, Md., last spring and is now in six Baltimore stores.

John Hechinger said in a prepared statement that

(Continued on page 5)

Pergament implements cost cutting, restructuring

Secures loan to maintain store opening program

Photo courtesy of Pergament Home Centers

Pergament gm Bruce Falk, who resigned this month after his duties were split.

By Elizabeth Brent

MELVILLE, N.Y. — Pergament Home Centers recently secured a $13.5 million loan for general working capital, in part to cover its aggressive store opening strategy.

But that strategy—happening as the economy is still flagging, especially on Long Island, N.Y., where Pergament operates 20 stores—finds the chain scrambling for budget savings through cost-cutting and restructuring of its headquarters management.

The most prominent change in management was the surprise resignation of vp-general merchandise manager Bruce Falk on Nov. 4.

Undermined by economy

The 34-unit company declined to confirm the size of the new loan, secured with the Westdeutsche Landesbank and another lender. But Steven Coleman, Pergament's chief financial officer, said that the "new funding was for general working capital purposes, and the amount of money received reflected the heavy investment in new stores over the last six months."

During that time, Perga-

(Continued on page 39)

POWER

Finishing Products Stories begin on page 13

Britain's B&Q opens a 'U.S.-style,' new-generation, Depot superstore

By an NHCN staff editor

EASTLEIGH, England.— B&Q, Britain's leading DIY chain, has opened the first of a new generation of home improvement superstores in Leeds, in northern England.

Operating under the B&Q Depot banner—first unveiled at Chelmsford, in southern England, a year ago—the latest store has a stronger warehouse focus and some novel customer service ideas.

"This is the closest thing to U.S.-style home improvement retailing that you'll find in the U.K.," said Jim Hodkinson, B&Q's ceo.

"At Leeds, we offer the

(Continued on page 39)

Photo courtesy of B&Q plc

Power aisle of the latest B&Q Depot, in Leeds, England: The home improvement superstore has a strong warehouse focus.

NAHB holds first remodelers' show, page 3

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Pink to succeed Hooten as pres. of Distribution America

By an NHCN staff editor

DES PLAINES, Ill. — Ron Pink, who rose from positions as a buyer at Cotter & Co. to managing director of Sentry Hardware Corp., was elected president of Distribution America, the amalgam of Sentry and Liberty Distributors formed earlier this year.

Photo courtesy of Distribution America

Ron Pink

In this capacity, Pink, 52, succeeds William Hooten, the former Liberty president who became Distribution America's chief when Liberty and Sentry merged on July 1. Pink was named president at the new organization's board meeting last month in Washington and will take over when Hooten retires Jan. 4, 1992.

Pink said the integration of Sentry and Liberty has gone well, and changes underway were making the merged group "more attuned to a retail orientation." Distribution America has 38 distributor members and about 8,300 active retail accounts under the Sentry Hardware, Golden Rule, Trustworthy Hardware, Hardware Hank and Our Own Hardware logos.

The two companies had combined sales in excess of $1.8 billion last year, according to company reports.

Pink said through the first part of November, the reconfigured Distribution America buying organization made new supplier contracts with 25 percent of its 500 vendors.

Pink had been a department manager with Cotter. After eight years, he moved up to positions in sales and merchandising management. He left Cotter in 1985 to become managing director of Sentry, based here. ◆

NAHB's first remodeler's show draws 6,000 pros but few dealers

Convention offered 171 exhibits, over 40 seminars

By John Sinisi

PITTSBURGH — The National Association of Home Builders' First Annual Remodelers Show attracted over 6,000 professional remodelers here to the Lawrence Convention Center in early November.

The convention offered exhibits from 171 manufacturers on the 31,000-square-foot convention floor, and over 40 different educational seminars over a three-day period.

Surprisingly, few home improvement retailers took the opportunity to attend the show and network with potential professional customers from all over the country. Representatives from 84 Lumber, Fagen's and Lowe's were in attendance. But Payless Cashways was the only chain that actually took out a booth to push its commercial sales program.

"We understand the needs of the audience here, so this is an excellent show for us," said Payless regional commercial services manager David Lowrey. He said that the show was ideal for identifying the various Payless store names—Hugh M. Woods, Furrows, Somerville Lumber, Knox Lumber and Lumberjack—as destination stores for remodelers.

NAHB Remodeling Council director Bryan Patcham could not say how many retailers may have visited the show on a walk-in basis, but was confident that anyone who sells to pro customers will hear about the value of the show and make it a point to attend in 1992.

NHCN photo

The show, which placed special emphasis on the remodeler, took place on a 31,000-square-foot floor and featured over 40 seminars.

Business seesaw predicted

Those who did make it to the convention were especially impressed with the special emphasis it placed on the remodeler, as compared to NAHB's annual Builders Show in January.

"There was a much greater selection of educational programs for our business here than at the Builders Show," said Cynthia Milloy, president of Oaken Hammer Construction in Silver Springs, Md. "There were seminars here not just for owners and managers, but for my key employees in the accounting, estimating and design departments."

Two seminars that drew the largest crowds were the remodeling market forecast for the next 10 years, and a 1991 consumer survey on remodeling trends.

(Continued on page 36)

Pay 'N Pak wins final court OK of bank financing plan

By Robyn Taylor

KENT, Wash. — The U.S. Bankruptcy Court in Seattle gave Pay 'N Pak final approval on Nov. 8 on its $100 million financing package from the bank group led by Manufacturers Hanover Trust.

John Markley, president of Pay 'N Pak, had expected final approval of the financing—$40 million of which is new money—since it got a preliminary okay on Sept. 30.

The 78-unit chain in recent weeks has been able to replenish its stores' inventories sufficiently to begin advertising again. The renewed campaign began in late October and Pay 'N Pak has realized "dramatic weekly sales increases," according to a company spokesperson.

It has also restructured its agreement to parcel off its stores in California. Originally, the chain planned to sell 16 leases and eight properties in California to Tri-Equity Investments in San Ramon, Calif., for $34.5 million.

Under the new agreement, Tri-Equity will buy six properties and nine leases for $22.3 million in a three-stage closing process that should conclude sometime in February.

The company is also negotiating separately to sell a unit in Indio, Calif., that is part of a shopping plaza, for $7 million, and a store in Salinas, Calif., that is expected to fetch another $3 million.

> The chain has several real estate deals in the works and has begun to advertise again.

And, according to the company's spokesperson, Pay 'N Pak is close to selling its store in Honolulu. All these real estate deals are subject to court approval. A hearing is scheduled for Nov. 21.

Of the seven remaining California properties, Pay 'N Pak retains the right to seek a buyer for each of them. "This is not a lease rejection situation," said the spokesperson.

MIS system, TV ad begin

Markley told *NHCN* that the delayed California sale at the lower price would not affect business. The only thing different now is the timing, he said.

(Continued on page 5)

Grossman's quarterly income down 16% due to hard economic times

By an NHCN staff editor

BRAINTREE, Mass. — Persistently tough economic conditions in its eastern region eroded Grossman's gross margins, forcing the company to post a 16.1 percent decline in third quarter net income.

The 139-unit chain earned $5.7 million on sales that were up less than 1 percent to $230.7 million. Although costs of sales increased by about 4 percent, the company managed to cut operating expenses by some 7 percent.

During the quarter, Grossman's Eastern Division held grand re-openings of three large stores in Buffalo, and five smaller stores in three states.

In a letter to suppliers dated Aug. 1, company president Bruce Weitz described the smaller stores as a testing ground for new merchandising concepts, many of which made their debut in Grossman's Danvers, Mass., store. The new ideas include covered lumber racks to protect the quality of the stock.

At the tail end of the second quarter, Grossman's Western Division took its first step into Northern California this year when it opened a new unit under the name Contractors Warehouse, near its new headquarters in Sacramento (*NHCN*, Oct. 14).

In October, Grossman's received $7.5 million in proceeds from mortgage financing on three of its owned stores. This is the second time this year that the company has used any of its stores to secure financing. On June 20, the company received $8 million from Chemical Bank for the mortgage of five stores in New York state.

Grossman's also received $14 million on the same day from the sale to BancOhio National Bank of the company's revolving credit card portfolio.

Unfortunately, Grossman's disappointing quarterly performance kept the retail concern from paying down any of its pre-existing debt this period. As a result, its long-term debt as of September 1991, $56.3 million, is 3 percent higher than at the same time last year.

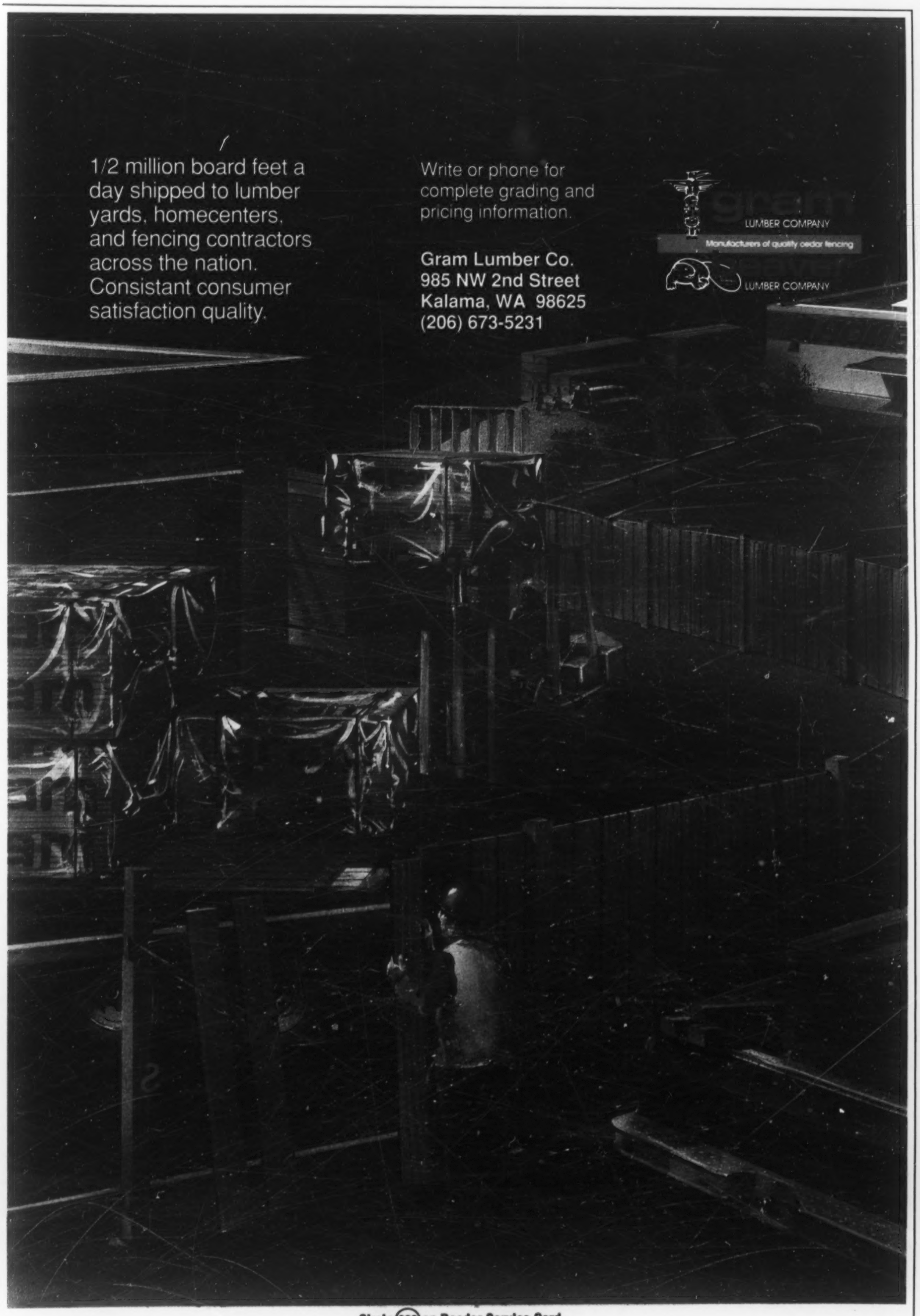
Despite the weak quarter, Grossman's nine-month net income of $7.8 million is 40 percent higher than the same period a year ago. But a sales decline in September, the first monthly drop in seven months, brought nine-month sales to $627 million, just below last year's nine-month figure of $628.7 million.

Company chairman Tom Schwarz conceded that sluggish economic conditions kept the company from maintaining its gross margins. At the same time, he praised his management team for the steps taken so far this year to reduce expenses. ◆

Top 5 Remodeling Jobs	
Remodeled kitchen	$17,592
Remodeled bath	9,449
Replace or add deck	4,437
Add bath	11,592
Add den	19,902
Source: NAHB Remodeling Council Consumer Trends Survey	*NHCN* chart

Top 5 Most Expensive Remodeling Jobs	
Exercise room	$26,000
Add second story	25,587
Add master bedroom	20,850
Add sun room	20,553
Add den	19,902
Source: NAHB Remodeling Council Consumer Trends Survey	*NHCN* chart

NAHB compiled responses of 2,000 customers who completed remodeling jobs covered by its Home Owners Warranty program.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NAHB show caters to the needs of pro remodelers

(Continued from page 3)

The market forecast combined short-term bad news with long-term optimism. NAHB's Remodeling Council expects 1991 expenditures to decrease to $105.7 billion from $106.8 billion in 1990, according to Kent Colton, NAHB's executive vp.

He added, though, that remodeling expenditures in 1992 should top $118 billion, assuming an economic recovery by the third quarter.

Pros eschew installed sales

Aside from identifying the top five most popular jobs *(see chart below)*, the consumer trends survey offered some interesting insight on how remodelers view installed sales programs.

The seminar featured three professional remodeler company executives, from Seattle, Silver Springs, Md., and Indianapolis. Of the three, two said they would never participate in a home center's installed sales program, and one said he did once but dropped out.

"We found that the jobs we were getting from that [home center] fell well below the size of one of our typical jobs, so profit margins were too low for us to continue in the program," said Jeff Santerre, president of Prestige Custom Builders of Seattle, who would not divulge the name of the chain with which his company worked. ◆

Louisiana paint maker is in a grave business

By an NHCN staff editor

NEW ORLEANS — The ultimate finishing product—tombstone paint—is offered only once a year.

Each September, Marine Paint & Varnish, a manufacturer here, produces 1,000 gallons of generic, white latex paint which is sold in dignified, unadorned 1-gallon cans that are labeled Tombstone Paint.

Consumers, primarily members of Louisiana's Catholic population, use it to repaint above-ground concrete tombs for All Saints Day.

A local Ace Hardware outlet recently promoted the product.

"It's really nothing special," said Marine's sales manager, Allen LaCour, who explained that tombstone paint is a product that's "used as part of [mourners'] duty to freshen up their ancestors."

About two weeks before the early November celebration, sales of the paint drop off until the next September, LaCour said. ◆

NOTE

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